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## **SOUTHERN CALIFORNIA ON THE REBOUND?**

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### **“Jobless Recovery” Means Region’s Unemployment Rate Will Rise Slightly Even as Incomes Grow and Total Payroll Jobs Increase**

**SAN MARINO, CA** – Economic experts presented a cautious outlook for strengthening economic growth in the Southern California region during 2003 and 2004 at today’s Sixth Annual Regional Economic Forecast Conference, sponsored by the Southern California Association of Governments (SCAG). Nearly 150 local elected officials and staff, private sector executives and academics attended the SCAG conference held at the Huntington Library and Gardens in San Marino. The forecast, compiled by SCAG in partnership with California State University, Fullerton (CSUF) and California State University, Long Beach (CSULB), are the only projections to focus exclusively on the short-term economic outlook (2003-2004) for the six-county (Los Angeles, Orange, Ventura, San Bernardino, Riverside and Imperial) region.

“The diversification of the Southern California economy has enabled us to better withstand the challenges that have impacted the national economy,” said Mark Pisano, executive director of SCAG. “However, this forecast points out a number of challenges facing the regional economy, and it also reinforces the importance of continued regional collaboration to meet common economic objectives.”

Dr. Anil Puri, dean of CSUF’s College of Business and Economics, indicated that Southern California is experiencing a “jobless recovery,” much like the state and the nation as a whole. Although the region weathered the economic downturn of 2001 better than the rest of the nation, Southern California saw its unemployment rate increase from 5.1% in 2001 to 5.7 % in 2002 thanks in part to job losses in retail, construction, and services. With federal and state government budget revenue shortages expected to lead to job cuts and a forecasted lag in new manufacturing, CSUF believes the unemployment rate will moderately increase in Southern California to 5.8 % in 2003 before slowly declining to 5.4 % in 2004.

Dr. Lisa Grobar, director of the CSULB Economic Forecast Project, noted that despite a two-and-one-half year bear market and troubles with the financial markets, the national economy is beginning to improve and the Southern California economy is following suit. While the national GDP will reach 2.5% in 2002 and 2.8 percent in 2003, Southern California will show almost no job growth in 2002 and only about 1.3 % employment growth in 2003.

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Other highlights of the regional forecast included:

- The region's tourism industry was hurt by September 11, particularly among international visitors. Occupancy is returning to pre-Sept. 11 levels, although at the cost of significant price discounting. The airline industry in particular continues to struggle.
- Despite ongoing reports of corporate scandals and accounting irregularities hurting the overall economy, the finance, insurance, and real estate aggregate (FIRE) in Southern California posted modest employment gains thanks to the strength of the housing market, which saw mortgage rate reductions not seen in a generation.
- The entertainment industry is expected to pick up again in 2003 as the motion picture industry's stockpiling of inventory in preparation for a prolonged strike by actors and / or writers is just now being depleted.
- Despite slowing in commercial aerospace, defense contracting is expected to improve, although long procurement processes should stall results until 2004.

In addition to assessing the Southern California economy, the forecasts also examined various trends occurring in geographic sectors of the region.

- After suffering a 0.6% loss in available jobs in 2002, Los Angeles County is expected to post an annual payroll employment growth of 0.7% in 2003. The loss in jobs pushed unemployment in the county up from 5.7% in 2001 to 6.2% in 2002, with the problem expected to get worse before it gets better. The jobless rate in Los Angeles County will hit 6.4% in 2003 before declining to 6.0% in 2004 and lower rates thereafter.
- Orange County employment growth will increase from 0.4% in 2002 to 1.6% in 2003 and 2.7% in 2004, still significantly off from its five-year high in 1998 of 5.3%. On the flipside, Orange County's unemployment rate shot up between 2001 and 2002 from 3.0% to 3.9%. Unlike LA County, however, unemployment will decline to 3.6% in 2003 and continue declining till it hits 2.7% in 2006.
- Riverside and San Bernardino Counties have shown the healthiest economic growth in the region as payroll employment growth hits 2.3% in 2002, a decline from 4.1% in 2001, but still indicative of robust economic activity. Rapid population growth in the region, however, means that despite adding more jobs than any other region, the Inland Empire's unemployment rate jumped from 5.0% in 2001 to 5.6% in 2002.
- Employment growth in Ventura County will drop for the second year in a row from 4.3% in 2000 and 1.9% in 2001, to 0.2% in 2002. However, Ventura will see steady payroll job growth of 1.2% in 2003 and 2.3% in 2004.
- Imperial County saw its unemployment rate finally dip below 20% to 17.3% after a substantial 26.3% unemployment rate in 2000 and 21.4% in 2001. Propelled by its agricultural sector, the county's overall job growth topped 5%, the best showing in the SCAG region. Taxable sales grew by 3% in 2002, and are expected to accelerate to 5 % in 2003 and 2004.

The forecast acknowledges large degrees of uncertainty given the possibility of war with Iraq, which would affect consumer confidence, oil prices, and financial markets. The forecast also points to continued declines in consumer confidence, fueled largely by ongoing reports of corporate scandals and accounting irregularities. These factors create uncertainties both for the national and regional economic outlooks.

**[Editor's Note: For additional information or to receive a copy of the Regional Economic Forecast for Southern California, call Don Rhodes of SCAG at 213/236-1840 or Jeff Lustgarten of Cerrell Associates at 323/466-3445.]**